

Inspector General

United States
Department of Defense



American Recovery and Reinvestment Act
Project to Construct a Child Development Center at
Fort Belvoir, Virginia

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INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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ARLINGTON, VIRGINIA 22202-4704

December 13, 2010

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: American Recovery and Reinvestment Act Project to Construct
a Child Development Center at Fort Belvoir, Virginia
(Report No. D-2011-023)

The DoD Office of Inspector General is performing various audits of DoD's implementation of Public Law 111-5, "American Recovery and Reinvestment Act of 2009," February 17, 2009 (Recovery Act). We selected one Fort Belvoir Recovery Act project to review (see Audit Methodology section).

We reviewed project 64148, to construct a standard-design child development center with capacity for 338 children, age 6 weeks through 5 years. This center will provide a safe, healthy, and affordable environment for dependent children of military members, Federal employees, and DoD contractors relocating to Fort Belvoir as part of Base Realignment and Closure. The U.S. Army Corps of Engineers, Baltimore District (USACE Baltimore), provided contracting and project management services to the Fort Belvoir Garrison. USACE received \$14.6 million in Recovery Act funds for this project.

Our objective in reviewing this project was to determine whether:

- it was adequately justified and planned to ensure the appropriate use of Recovery Act funds (Planning);
- funds were awarded and distributed in a prompt, fair, and reasonable manner (Funding); and
- its contract contained the required Recovery Act Federal Acquisition Regulation (FAR) clauses (Initial Project Execution).

We determined that project 64148 was justified and met Recovery Act goals regarding accountability and transparency. Personnel at Fort Belvoir and USACE Baltimore properly planned, funded, and contracted for the project in accordance with Recovery Act and Office of Management and Budget guidance.

PLANNING

We reviewed the DD 1391, "Military Construction Project Data," and supporting cost documentation for project 64148 and determined that the project was properly planned. The DD 1391 adequately explained the project justification, requirements, current state, and impact of constructing the child development center. The economic analysis included a discussion of

alternatives, which concluded that construction of a child development center was the best and most economical solution. Fort Belvoir personnel selected a 338-capacity child development center based on projected capacity needs, in accordance with the Army Standard for Child Development Center construction.

The DoD Office of Inspector General is assessing the Army's overall planning of Recovery Act-funded military construction (MILCON) projects of child development centers (Project No. D2009-D000AE-0268.000, "Recovery Act-Funded Military Construction of Army Child Development Centers"). In performing this assessment, we considered factors beyond the DD 1391 justifications, including whether the Army most equitably apportioned Recovery Act funds to base locations where the need for child care was greatest. We used data projections through FY 2015 to compare the child care needs of Fort Belvoir with the needs of the following six other Army installations receiving Recovery Act funding to build child development centers: Fort Bragg, North Carolina; Fort Drum, New York; Fort Eustis, Virginia; Hunter Army Airfield, Georgia; Fort Carson, Colorado; and Fort Hood, Texas. We found that while the Army had valid requirements for using Recovery Act funding to build child development centers at Fort Belvoir and the six other installations, the apportionment of resources among the installations needed improvement.

FUNDING

The DoD expenditure plan for the Recovery Act designated a list of Army MILCON projects that included project 64148, valued at \$14.6 million. On April 9, 2009, the Office of the Assistant Secretary of the Army (Financial Management and Comptroller) issued a Funding Authorization Document for \$14.6 million to the USACE Commander. In January 2010, USACE Baltimore awarded a \$10.4 million contract for construction of the child development center and set aside an additional \$1.4 million for contingencies, supervision and administration, and other expenses related to the project. The Army can use the remaining \$2.8 million to fund other Recovery Act work.

Under provisions of the Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD[C]/CFO) memorandum, "Project Cost Variations During Execution of American Recovery and Reinvestment Act Expenditure Plans for Infrastructure Investments," May 7, 2009, the Army can use savings to offset cost growth on other Recovery Act-funded child development centers. As of January 20, 2010, Headquarters USACE had recognized savings of \$11.7 million from seven Recovery Act-funded MILCON child development center projects, including the Fort Belvoir project. The Army nominated a project to construct an additional child development center using the combined savings. On April 29, 2010, the Army, through the USD(C)/CFO, notified Congress of its intent to fund the \$9 million construction of a child development center at Fort Polk, Louisiana, using the combined savings.

CONTRACTING

We reviewed the presolicitation and award for Recovery Act Project 64148 at Fort Belvoir and determined that USACE Baltimore contracting personnel competed and awarded the contract with full transparency and that the contract contained the required FAR clauses. Although the original

presolicitation notice for the project task order did not identify the project as a Recovery Act action, on November 6, 2009, USACE Baltimore personnel issued a special notice on the Federal Business Opportunities (FBO) Web site. The notice identified the project as a Recovery Act action and stated that the opportunity was available only to the four contractors selected under a previously competed multiple-award task order contract. The notice clearly explained the nature of the work and informed the public that the notice was for informational purposes only, thereby meeting the intent of the Recovery Act. On January 20, 2010, USACE Baltimore awarded a \$10.4 million firm-fixed-price task order to Vetco Contracting Services, LLC, for construction of the child development center and posted the contract award notice on the FBO Web site. The contracting officer recorded the award in the Federal Procurement Data System and included the Treasury Account Symbol in the Description of Requirement.

REVIEW OF FORT BELVOIR AND USACE BALTIMORE INTERNAL CONTROLS

U.S. Army Corps of Engineers Baltimore District internal controls over the planning, funding, and contracting for the construction of a child development center at Fort Belvoir were effective as they applied to the audit objectives.

AUDIT STANDARDS

We conducted this audit from August 2009 through January 2010 and from April 2010 through November 2010 in accordance with generally accepted government accounting standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT METHODOLOGY

We visited Fort Belvoir and contacted USACE Baltimore personnel to review the selected project. We interviewed Department of Public works personnel at Fort Belvoir and contracting and project management personnel from USACE Baltimore. We reviewed requirements, contracting, and financial documentation dated from March 2009 through February 2010. We used this supporting documentation to determine whether Fort Belvoir and USACE properly planned, funded, and contracted for the project in accordance with the Recovery Act and Office of Management and Budget guidance.

Before selecting DoD Recovery Act projects for audit, the Quantitative Methods and Analysis Division of the DoD Office of Inspector General analyzed all DoD agency-funded projects, locations, and contracting oversight organizations to assess the risk of waste, fraud, and abuse associated with each. We selected most audit projects and locations using a modified Delphi technique, which allowed us to quantify the risk based on expert auditor judgment, and other quantitatively developed risk indicators. Initially, we selected 83 projects with the highest risk rankings; auditors chose some additional projects at the selected locations. We used information collected from all projects to update and improve the risk assessment model.

We did not use classical statistical sampling techniques that would permit generalizing results to the total population because there were too many potential variables with unknown parameters at the beginning of this analysis. The predictive analytic techniques employed provided a basis for logical coverage not only of Recovery Act dollars being expended but also of types of projects and types of locations across the Military Services, Defense agencies, State National Guard units, and public works projects managed by USACE.

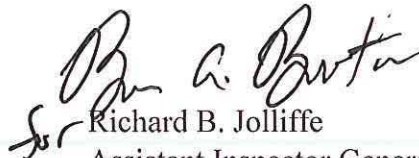
USE OF COMPUTER-PROCESSED DATA

We used computer-processed data to perform this audit. We used posted notices on the FBO Web site (<http://www.fbo.gov>) in meeting our audit objectives. Specifically, we used the FBO Web site to determine whether USACE met transparency requirements by reporting Recovery Act-funded contract actions. We tested the accuracy of the data by comparing the project data reported on the FBO Web site with documents in the contract file. We concluded that the data were sufficiently reliable for our audit purposes.

PRIOR AUDIT COVERAGE

The Governmental Accountability Office, the Department of Defense Inspector General, and the Military Departments have issued reports and memoranda discussing DoD projects funded by the Recovery Act. You can access unrestricted reports at <http://www.recovery.gov/accountability>.

Our review of project 64148 will be included in a summary report to be issued later. We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9201 (DSN 664-9201). If you desire, we will provide a formal briefing on the results.

A handwritten signature in black ink, appearing to read "Richard B. Jolliffe", is written over the printed name.

Richard B. Jolliffe
Assistant Inspector General
Acquisition and Contract Management



Inspector General Department of Defense